

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /120 W
-----039720 251147Z/21

P 250023Z FEB 78

FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 6463
INFO AMCONSUL MONTREAL
ALL OTHER CONSULS IN CANADA (POUCH)

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 00967

DEPARTMENT FOR EUR/CAN AND EB

PASS DOE FOR LES GOLDMAN AND ASST. SECRETARY BERGOLD;
DOE/FERC FOR COMMISSIONER SMITH AND JOHN ADGER

E.O. 11652: GDS
TAGS: ENRG, PGOV, SENV, CA
SUBJECT: ALASKA GAS PIPELINE: LEGISLATION PASSES
SECOND READING

REF: OTTAWA 774

1. SUMMARY: DEBATE ON GOVERNMENT NORTHERN GAS PIPELINE
LEGISLATION (BILL C-25) ENDED FEBRUARY 23 WITH VOTE TO
APPROVE MOTION FOR SECOND READING AND REFERRAL TO COM-
MITTEE. MOTION PASSED -- WHICH CONSTITUTES AGREEMENT
IN PRINCIPLE -- WITH ONLY 11 NEW DEMOCRATIC PARTY
(NDP) MEMBERS VOTING AGAINST IT. COMMITTEE HEARINGS
BEGIN MONDAY, FEBRUARY 27. PROGRESSIVE CONSERVATIVE
(PC) MEMBERS DID NOT VOTE NO AND MAINTAIN THEY WILL NOT
TRY TO DELAY BILL BUT WILL INTRODUCE AMENDMENTS SERIOUSLY
INTENDED TO CORRECT "PROBLEMS" IN BILL. THEY EXPECT
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SOME ACCOMMODATION FROM GOVERNMENT. NDP WILL CONTINUE
EFFORTS TO DELAY LEGISLATION, AND HEARING PROCESS, WITH
ITS POSSIBILITY FOR PARADE OF CONTENTIOUS WITNESSES AND
AMENDMENTS, PROVIDES BEST OPPORTUNITY SO FAR. PROSPECTS
FOR SUCCESS OF THESE TACTICS, HOWEVER, ARE DIM. NDP'S
ARGUMENTS ARE WEAK (PARTICULARLY AFTER NEB'S 56-INCH
PIPE RECOMMENDATION), THEY RISK ALIENATING LABOR (STEEL

WORKERS), THEY RISK PARTY'S CREDIBILITY, AND THEY ARE BADLY OUTNUMBERED IN HOUSE AND THEY KNOW IT. DEPUTY PRIME MINISTER MACEACHEN REMAINS CONFIDENT ABOUT HANDLING OF BILL AND EXPECTS COMPLETION OF WORK IN COMMITTEE BY EASTER RECESS (MARCH 22), ALTHOUGH FINAL FLOOR ACTION MAY NOT BE POSSIBLE BEFORE RECESS. END SUMMARY.

2. BILL C-25 PASSED SECOND READING FEBRUARY 23 BY 146 TO 11 VOTE. ONLY NDP MEMBERS VOTED AGAINST GOVERNMENT MOTION TO READ BILL SECOND TIME AND REFER IT TO COMMITTEE. VOTE ON SECOND READING CONSTITUTES APPROVAL IN PRINCIPLE.

3. SPECIAL COMMITTEE ON NORTHERN GAS PIPELINE WILL CONVENE TO HEAR TESTIMONY NEXT WEEK. CHAIRMAN WILL BE ELECTED DURING FIRST SESSION. WE UNDERSTAND CHAIRMAN WILL PROBABLY BE MAURICE FOSTER, LIBERAL MEMBER FROM ALGOMA, ONTARIO, WHO HAS HAD CONSIDERABLE PREVIOUS EXPERIENCE WORKING WITH RESOURCE POLICY ISSUES.

4. HEARINGS WILL LEAD OFF MONDAY (FEBRUARY 27) AFTERNOON WITH TESTIMONY BY DEPUTY PRIME MINISTER MACEACHEN, FOLLOWED BY FOOTHILLS (YUKON) PIPELINE LTD., FEBRUARY 28, AND INDIAN AND NORTHERN AFFAIRS MINISTER FAULKNER AND COUNCIL OF YUKON INDIANS MARCH 1. REMAINDER OF SCHEDULE HAS YET TO BE DETERMINED. PERSONAL APPEARANCES BEFORE COMMITTEE ARE TO BE KEPT TO MINIMUM AND PROSPECTIVE
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WITNESSES WILL BE ENCOURAGED TO SUBMIT WRITTEN BRIEFS IN ORDER TO SAVE TIME.

5. MACEACHEN TOLD AMBASSADOR FEBRUARY 24 THAT HE IS CONFIDENT ABOUT WORK IN COMMITTEE AND FORESEES NO SERIOUS PROBLEMS WITH EITHER PC OR NDP. HE EXPECTS COMMITTEE TO REPORT BILL BACK TO HOUSE BEFORE ADJOURNMENT MARCH 22 FOR ONE-TWO WEEK EASTER RECESS. HOWEVER, PASSAGE BEFORE RECESS IS LESS CERTAIN.

6. COMMENT: DEBATE ON PIPELINE DURING SECOND READING CONTINUED IN SAME LISTLESS, RAMBLING VEIN REPORTED REFTEL: GOVERNMENT STRESSED ECONOMIC ADVANTAGES TO CANADA (INDUSTRIAL ORDERS, JOBS AND ONLY VIABLE ACCESS TO WESTERN ARCTIC GAS RESERVES); PROGRESSIVE CONSERVATIVES (PC) SUPPORTED PIPELINE IN PRINCIPLE BUT DEcried BILL'S SPECIFICS, PARTICULARLY LACK OF PROTECTION FOR CANADIAN CONTENT AND MEANINGFUL PARLIAMENTARY ROLE IN CONSTRUCTION MONITORING PROCESS; AND NEW DEMOCRATIC PARTY (NDP) CONTINUED ITS ALL-OUT ATTACK ON GOVERNMENT, CHARGING AGREEMENT AND BILL ARE "SELL-OUT".

7. COMMITTEE HEARINGS OFFER BEST OPPORTUNITY FOR NDP TO DELAY PASSAGE. WE UNDERSTAND NDP INTENDS TO SUSTAIN ITS VOCIFEROUS OPPOSITION AND TRY TO SLOW BILL'S PASSAGE BY CALLING PARADE OF HOSTILE WITNESSES (ECONOMIC NATIONALISTS, ENVIRONMENTALISTS AND NATIVES) AND INTRODUCING CONTENTIOUS AMENDMENTS. PC MEMBERS TELL US THEY WILL INTRODUCE AMENDMENTS SERIOUSLY INTENDED TO REMEDY BILL'S FAULTS. THEY EXPECT SOME ACCOMMODATION.

8. ALTHOUGH NDP DELAYING TACTICS COULD PREVENT PASSAGE BEFORE EASTER RECESS, THERE ARE REASONS WHY NDP MIGHT PULL IN ITS HORNS AT LEAST FAR ENOUGH SO AS NOT TO BE SEEN AS TRYING TO KILL PROJECT. FIRST, THEIR ARGUMENTS SIMPLY DO NOT STAND UP, PARTICULARLY IN WAKE OF NEB

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56-INCH PIPE SIZE RECOMMENDATION WHICH VIRTUALLY ASSURES PIPE WILL BE MANUFACTURED IN CANADA, NOTWITH-

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INFO AMCONSUL MONTREAL
ALL OTHER CONSULS IN CANADA (POUCH)

C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 00967

STANDING NDP CHARGES THAT THIS OPENS DOOR TO GERMAN AND JAPANESE PIPE MILLS. IF THEY PUSH THIS LINE TOO HARD THEY WILL HAVE UNITED STEEL WORKERS ON THEIR BACKS IN NEXT ELECTION AND THEY KNOW IT. SECOND, RECENTLY INSTITUTED TELEVISION COVERAGE OF HOUSE PRO-

CEEDINGS, SOME MEMBERS TELL US, MAKES IT MORE DIFFICULT FOR NDP TO SUSTAIN ITS FLIMSY CASE AGAINST GOVERNMENT ON THIS ISSUE. NDP WILL LOSE CREDIBILITY IF IT SEEKS DELAY FOR ITS OWN SAKE IN NEW MEDIA FISHBOWL. THIRD, SINCE MORE INTENSE MEDIA COVERAGE EXPOSES DELAYING TACTICS IN THEIR TRUE LIGHT, GOVERNMENT'S HAND IS STRENGTHENED IF IT SHOULD CHOOSE TO VOTE CLOSURE AND FORCE BILL THROUGH. (WE ASSIGN VERY LOW PROBABILITY TO THIS TACTIC.) FOURTH, NDP KNOWS IT IS OUTNUMBERED BY OTHER PARTIES WHO AFTER OVERWHELMING VOTE ON SECOND READING HAVE GIVEN A CLEAR SIGNAL THEY WANT TO GET ON WITH THE JOB.

9. WHILE PASSAGE BEFORE EASTER RECESS IS NOT ASSURED, THESE FACTORS, PLUS MACEACHEN'S SKILL IN THE HOUSE INDICATE THAT NDP WILL HAVE A VERY DIFFICULT TIME DELAYING PASSAGE BEYOND THAT TIME. ENDERS
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